



**OCEAN VIEW  
SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2005**

**OCEAN VIEW SCHOOL DISTRICT  
OF ORANGE COUNTY  
HUNTINGTON BEACH, CALIFORNIA**

**JUNE 30, 2005**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ms. Sharon Holland	President	2006
Ms. Barbara Boskovich	Clerk	2008
Ms. Debbie Cotton	Member	2008
Ms. Carolee Focht	Member	2006
Ms. Tracy Pellman	Member	2006

**ADMINISTRATION**

Ms. Karen Colby	Interim District Superintendent
Mr. Michael A. Luker	Assistant Superintendent, Human Resources
Ms. Beverly Hempstead	Interim Assistant Superintendent, Curriculum and Instruction
Ms. Mary Lou Beckmann	Chief Financial Officer
Ms. Carolyn Stocker	Chief Operations and Facilities Officer

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Ocean View School District  
Huntington Beach, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ocean View School District (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 2004-05 *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed in the California Code of Regulations, Title 5, Section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ocean View School District, as of June 30, 2005, and the respective changes in financial positions and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 13 and budgetary comparison information on page 50, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds, General Fund and Cafeteria Account Selected Financial Information, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Varnick, Trine, Day & Co., LLP

Rancho Cucamonga, California  
September 9, 2005





"Equity and  
Excellence"

# Ocean View School District

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Huntington Beach  
California 92647-5569  
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**Interim District Superintendent**  
Karen Colby

**Board of Trustees**  
Sharon Holland, President  
Barbara Boskovich, Clerk  
Debbie Cotton, Member  
Carolee Focht, Member  
Tracy Pellman, Member

This section of Ocean View School District's (OVSD) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2005. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## FINANCIAL HIGHLIGHTS

The District's financial status remains positive. The ending balance of the General Fund increased \$748,238 between July 01, 2004 and June 30, 2005. The General Fund has consistently maintained a reserve for emergencies above the state mandated 3% reserve, and ended the fiscal year of June 30, 2005, with an emergency reserve of 1.78%.

The Harbour View modernization project was completed during the 2004-2005 fiscal year. The final cost was \$5,740,842 paid for with a combination of State and District monies. The Westmont Modernization got underway June 16, 2005, with the majority of the work planned for Summer 2005.

The District continued to fund other capital projects as well as debt service on the 2002 COP with lease monies collected from tenants at closed school sites (short-term lease) and contribute to the required match for state funded modernization projects with long term lease revenue from the shopping centers built at the closed Crest View and Rancho View sites.

The District reduced its outstanding long-term debt \$651,324 or 5.63 percent.

Modernization project planning continued at Village View and Marine View with bids opened in October 2005 for work to be done in Summer 2006.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts — management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

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- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in more detail than the District-wide statements.
  - The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short term*, as well as what remains for future spending.
  - *Proprietary funds* statements offer *short* and *long-term* financial information about the activities the District operates like business, such as child care.
  - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others (Associated Student Body).

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year.

### District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets and liabilities with the exception of other post-employment benefits. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid. District-wide statements were not required of this District prior to the 2002-2003 fiscal year.

The District-wide statements report the District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or *position*.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the condition of District school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

### Governmental Activities

Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

### Business-Type Activities

The District charges fees to cover the costs of certain services it provides. The District's child care program is included here.

Figure 1-A shows how the various parts of this annual report are arranged and related to one another.

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

Figure 1-A. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: Food Services and Adult Education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>Statement of Net Assets</li> <li>Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>Balance Sheet</li> <li>Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>Statement of Net Assets</li> <li>Statement of Revenues, Expenses and Changes in Fund Net Assets</li> <li>Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>Statement of Fiduciary Net Assets</li> <li>Statement of Changes in Fiduciary Net Assets</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; ASB funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

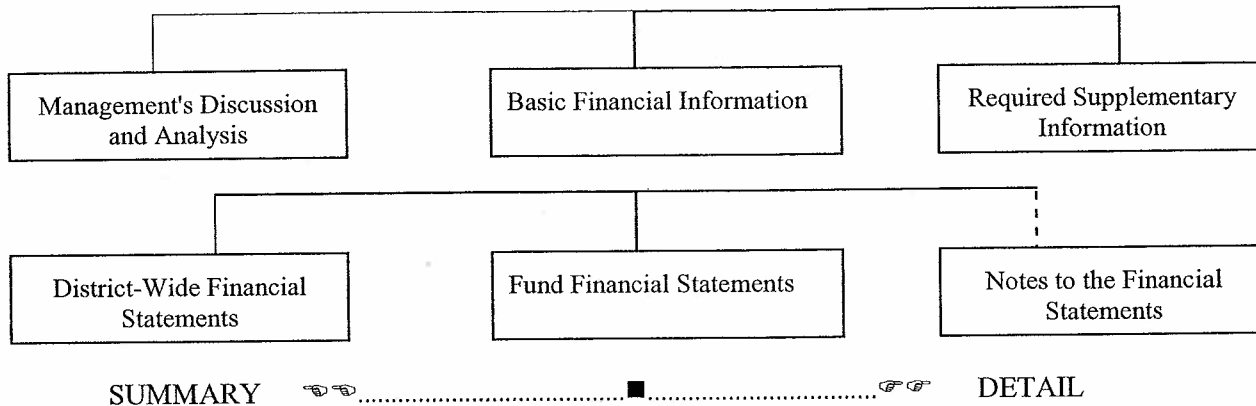
Figure 1-B summarizes the major features of the District's financial statements, including a portion of the District's activities they cover and the types of information they contain.

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

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**Figure 1-B. Organization of Ocean View School District's  
Annual Financial Report**



The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

#### Net Assets

The District's combined net assets were \$48,066,545 for the fiscal year ended June 30, 2005. Of this amount, \$4,611,229 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and legislation that limit the Board of Trustees' ability to use those net assets for day-to-day operations. The analysis below focuses on the net assets (Table 1) and change in the net assets (Table 2) for the District's governmental and business-type activities.

See Table 1 next page

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

**Table 1**

	Governmental Activities		Business-Type Activities		School District Activities	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 16,090,756	\$ 12,893,108	\$ 1,250,568	\$ 975,620	\$ 17,341,324	\$ 13,868,728
Capital assets	46,932,752	47,867,260	491,263	517,187	47,424,015	48,384,447
<b>Total Assets</b>	<b>63,023,508</b>	<b>60,760,368</b>	<b>1,741,831</b>	<b>1,492,807</b>	<b>64,765,339</b>	<b>62,253,175</b>
Current liabilities	5,462,001	5,305,310	323,732	329,890	5,785,733	5,635,200
Long-term debt	10,517,899	11,037,360	395,162	527,025	10,913,061	11,564,385
<b>Total Liabilities</b>	<b>15,979,900</b>	<b>16,342,670</b>	<b>718,894</b>	<b>856,915</b>	<b>16,698,794</b>	<b>17,199,585</b>
Net assets:						
Invested in capital assets, net of related debt	36,976,507	37,109,245	96,101	(9,838)	37,072,608	37,099,407
Restricted	6,382,708	3,671,008	-	-	6,382,708	3,671,008
Unrestricted	3,684,393	3,637,445	926,836	645,730	4,611,229	4,283,175
<b>Total Net Assets</b>	<b>\$ 47,043,608</b>	<b>\$ 44,417,698</b>	<b>\$ 1,022,937</b>	<b>\$ 635,892</b>	<b>\$ 48,066,545</b>	<b>\$ 45,053,590</b>

The \$4,611,229 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. It means that if we had to pay all of our bills today, including all of our non-capital liabilities (such as compensated absences), we would have \$4.6 million left.

### Change in Net Assets

The District's Total revenues were \$80,364,812 and Total expenses were \$77,351,857. Table 2 presents Total revenues and Total expenses for governmental activities and business-type activities by category.

See Table 2 next page

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

**Table 2**

	Governmental Activities		Business-Type Activities		School District Activities	
	2005	2004	2005	2004	2005	2004
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,163,655	\$ 1,120,915	\$ 2,072,647	\$ 2,009,104	\$ 3,236,302	\$ 3,130,019
Operating grants and contributions	17,331,049	17,937,803	680,208	665,717	18,011,257	18,603,520
Capital grants and contributions	1,771,275	2,290,003	-	-	1,771,275	-
General revenues:						
State revenue limit sources	20,703,712	16,355,559	-	-	20,703,712	16,355,559
Property taxes	25,460,361	27,977,772	-	-	25,460,361	27,977,772
Other State revenues	5,834,731	4,591,159	-	-	5,834,731	4,591,159
Other general revenues	5,322,845	3,048,598	24,329	9,570	5,347,174	3,058,168
<b>Total Revenues</b>	<b>77,587,628</b>	<b>73,321,809</b>	<b>2,777,184</b>	<b>2,684,391</b>	<b>80,364,812</b>	<b>76,006,200</b>
<b>Expenses</b>						
Instruction-related	55,411,286	53,796,554	2,390,139	2,331,870	57,801,425	56,128,424
Student support services	5,919,279	5,564,574	-	-	5,919,279	5,564,574
Administration	4,017,515	3,504,462	-	-	4,017,515	3,504,462
Maintenance and operations	6,160,517	5,908,875	-	-	6,160,517	5,908,875
Other	3,453,121	2,901,332	-	-	3,453,121	2,901,332
<b>Total Expenses</b>	<b>74,961,718</b>	<b>71,675,797</b>	<b>2,390,139</b>	<b>2,331,870</b>	<b>77,351,857</b>	<b>74,007,667</b>
<b>Change in</b>						
<b>Net Assets</b>	<b>\$ 2,625,910</b>	<b>\$ 1,646,012</b>	<b>\$ 387,045</b>	<b>\$ 352,521</b>	<b>\$ 3,012,955</b>	<b>\$ 1,998,533</b>

Property taxes and State formula aid accounted for 64.70 percent of the District's revenue. Another 24.62 percent came from State and Federal aid for specific programs, and the remainder from fees charged for services and miscellaneous sources.

The District's expenses are predominately related to educating and caring for students (74.73%). The purely administrative activities of the District accounted for 5.2% of total costs. Total revenues surpassed expenses, increasing net assets \$3,012,955 over last year.

### Governmental Activities

Table 3 presents the costs of five major District activities: instruction-related, student support services, administration; maintenance, operations and facilities and other services. The table also shows each activity's *net cost* (Total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

The cost of all governmental activities this year was \$74,961,718.

## OCEAN VIEW SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

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- Some of the cost (\$1,163,655) was financed by the users of the District's programs.
- The Federal and State governments subsidized certain programs with grants and contributions (\$17,331,049).
- The District received State Bond money for modernization projects (\$1,771,275).
- Most of the District's costs (\$54,695,739) however, were financed by District taxpayers and the taxpayers of our state.
  - This portion of governmental activities was financed with property taxes, unrestricted State aid based on the statewide education aid formula, other State funding, investment earnings and miscellaneous revenues.

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Instruction-related activities	\$ 55,411,286	\$ 53,796,554	\$ 40,448,941	\$ 39,825,551
Student support services	5,919,279	5,564,574	1,847,760	1,726,864
Administration	4,017,515	3,504,462	3,542,002	3,043,188
Maintenance, operations and facilities	6,160,517	5,908,875	5,913,763	3,307,693
Other	3,453,121	2,901,332	2,943,273	2,423,780
<b>Totals</b>	<b>\$ 74,961,718</b>	<b>\$ 71,675,797</b>	<b>\$ 54,695,739</b>	<b>\$ 50,327,076</b>

#### **Business-Type Activities**

Revenues of the District's business-type activities were \$2,777,184 and expenses were \$2,390,139.

#### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The District established other funds to control and manage money for particular purposes (like capital facilities) or to show that it is properly using certain revenues (like cafeteria revenues).

The District has three kinds of funds:

**Governmental funds** — Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statement that explain the relationship (or differences) between them.

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

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**Fiduciary funds** — The District is trustee, or *fiduciary*, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

**Proprietary funds** — Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

#### Governmental Funds

The strong financial performance of the District as a whole is reflected in its governmental funds as well. The main day-to-day operating fund of the District is the General Fund. The monies deposited into the General Fund represent the federal, state and local revenues available for the ongoing costs related to instruction, school and District administration, student transportation and regular maintenance and operations. During 2004-05, the General Fund had revenues of \$70,722,354 and expenses of \$69,974,116, for an increase of \$748,238. After factoring in transfers and other uses, the General Fund balance increased \$748,238 or 1% of expenses. The General Fund has maintained additional reserves above the state required 3% reserves for many years, reflecting that the District achieves a financial balance between revenues and expenditures for its ongoing day-to-day operations.

As the District completed the year, its governmental funds reported combined fund balances of \$10,770,757.

Two of the District's non major governmental funds that showed a decrease in total fund balance are the Special Reserve for Capital Outlay Fund, and the 2002 Certificate of Participation Fund. Those decreases are directly related to one-time capital outlay expenses for the construction of the Harbour View Modernization project and debt service. All the other non major governmental funds showed an increase in fund balance.

#### Proprietary Funds

The Child Care Fund had an increase in net assets of \$387,045 to equal a balance of \$1,022,937 during the 2004-2005 year. The ending balance is a combination of funds from the State funded preschool program and the District sponsored before and after school child care program. The ending balances are available to enhance the respective programs and provide a cushion against increased costs.

#### Fiduciary Funds

The Associated Student Body funds ended the year with assets of \$307,909 consisting of \$284,023 in bank deposits and \$23,886 in stores inventory, with liabilities of \$307,909 due to student groups.



# **OCEAN VIEW SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005**

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### **General Fund Budgetary Highlights**

Over the course of the year, the Board approves three versions of the operating budget. These budget revisions are: Adopted Budget, First Interim and Second Interim, with the Unaudited Actuals brought forward after the year-end closing is completed. Budget adjustments are brought to the Board on a regular basis to reflect changes to both revenues and expenditures that become known during the year.

Budget adjustments to revenues for the year include:

- An increase in Federal Revenues to reflect Medi-Cal reimbursements, a larger grant allocation for special education, and the receipt of one new Federal Grant: Even Start at Westmont.
- An increase in Other State Income to reflect an increase in Instructional Materials funding.
- An increase in Local revenues to reflect donations from parents and reimbursements received as revenue from El Viento, duplication charges, use of facilities, and safety credits.

While the District's estimated budget for the general fund anticipated that revenues and expenditures would result in a General Fund ending balance of \$4,368,872, the actual ending balance was \$548,745 higher at \$4,917,617. The District's estimated budget includes all monies available, whereas the actual budget reflects final expenditures, which are often lower, and result in carryovers to be rolled into the following year. An example would be the School Site Carryover of \$417,585.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

During 2004-2005, the District invested \$1.1 million in a broad range of capital assets, including the final phase of Harbour View modernization, the beginning phase of the Westmont Modernization and technology upgrades. This represents a substantial decrease from the \$5.7 million spent during the previous year which included the bulk of the Harbour View Modernization. Total depreciation expense for the year exceeded \$2.3 million.

The District plans to complete three modernization projects over the next two years. The District's fiscal year 2005-2006 capital budget anticipates spending \$3.2 million for capital projects, principally in two areas:

- 2.5 million for the balance of the Westmont modernization project
- \$490,000 for additional modulars at Village View and Hope View to upgrade Child Care facilities

#### **Long-Term Debt**

At year-end, the District had \$10,913,061 in long-term debt outstanding — a reduction of 5.6% from last year — as shown in Table 4.

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

**Table 4**

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Certificates of participation	\$ 9,405,000	\$ 9,785,000	\$ -	\$ -	\$ 9,405,000	\$ 9,785,000
Capitalized lease obligations	\$ 551,245	973,013	395,162	527,026	946,407	1,500,039
Other	561,654	279,346	-	-	561,654	279,346
<b>Totals</b>	<b>\$ 10,517,899</b>	<b>\$ 11,037,359</b>	<b>\$ 395,162</b>	<b>\$ 527,026</b>	<b>\$ 10,913,061</b>	<b>\$ 11,564,385</b>

- The District continued to pay down its debt, retiring \$801,769 of the 2002 COP and capital leases.
- No new debt was issued during the year, although the liability for compensated absences increased \$282,308.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the only known circumstance that could significantly affect the District's financial health in the future would be the State's continuing budget deficit and possible impact if Proposition 76 is approved at the November 08, 2005, Special Election.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact:

Mary Lou Beckmann, Chief Financial Officer  
Ocean View School District  
17200 Pinehurst Lane  
Huntington Beach, California 92647

# OCEAN VIEW SCHOOL DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2005

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Deposits and investments	\$ 10,905,515	\$ 1,295,792	\$ 12,201,307
Receivables	4,905,303	87,741	4,993,044
Internal balances	132,965	(132,965)	-
Stores inventories	146,973	-	146,973
<b>Total Current Assets</b>	<b>16,090,756</b>	<b>1,250,568</b>	<b>17,341,324</b>
Capital assets			
Land and construction in process	12,249,416	-	12,249,416
Other capital assets	67,299,886	648,100	67,947,986
Less: Accumulated depreciation	(32,616,550)	(156,837)	(32,773,387)
<b>Total Capital Assets</b>	<b>46,932,752</b>	<b>491,263</b>	<b>47,424,015</b>
<b>Total Assets</b>	<b>63,023,508</b>	<b>1,741,831</b>	<b>64,765,339</b>
<b>LIABILITIES</b>			
Accounts payable	4,205,488	248,152	4,453,640
Accrued interest	142,002	-	142,002
Deferred revenue	1,114,511	75,580	1,190,091
Long-term liabilities:			
Current portion of long-term obligations	703,467	135,162	838,629
Noncurrent portion of long-term obligations	9,814,432	260,000	10,074,432
<b>Total Liabilities</b>	<b>15,979,900</b>	<b>718,894</b>	<b>16,698,794</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	36,976,507	96,101	37,072,608
Restricted for:			
Debt service	304,190	-	304,190
Capital projects	3,669,606	-	3,669,606
Educational programs	682,428	-	682,428
Other activities	1,726,484	-	1,726,484
Unrestricted	3,684,393	926,836	4,611,229
<b>Total Net Assets</b>	<b>\$ 47,043,608</b>	<b>\$ 1,022,937</b>	<b>\$ 48,066,545</b>

The accompanying notes are an integral part of these financial statements.

# OCEAN VIEW SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 48,805,040	\$ -	\$ 11,302,689	\$ 1,771,275
Instruction-related activities:				
Supervision of instruction	2,049,950	-	1,702,642	-
Instructional library, media, and technology	623,490	-	152,099	-
School site administration	3,932,806	-	33,640	-
Pupil services:				
Home-to-school transportation	1,873,351	16,645	1,289,736	-
Food services	2,223,933	1,147,010	1,166,634	-
All other pupil services	1,821,995	-	451,494	-
General administration:				
Data processing	432,730	-	-	-
All other general administration	3,584,785	-	475,513	-
Plant services	6,160,517	-	246,754	-
Ancillary services	51,094	-	-	-
Community services	120,774	-	97,978	-
Interest on long-term debt	486,687	-	-	-
Other outgo	488,306	-	411,870	-
Depreciation (unallocated)	2,306,260	-	-	-
<b>Total Governmental-Type Activities</b>	<b>74,961,718</b>	<b>1,163,655</b>	<b>17,331,049</b>	<b>1,771,275</b>
<b>Business-Type Activities:</b>				
Child care services	2,390,139	2,072,647	680,208	-
<b>Total Business-Type Activities</b>	<b>2,390,139</b>	<b>2,072,647</b>	<b>680,208</b>	<b>-</b>
<b>Total School District</b>	<b>\$ 77,351,857</b>	<b>\$ 3,236,302</b>	<b>\$ 18,011,257</b>	<b>\$ 1,771,275</b>
General revenues and subventions:				
Property taxes, levied for general purposes				
Property taxes, levied for other specific purpose				
State revenue limit apportionment				
Federal and State aid not restricted to specific purposes				
Interest and investment earnings				
Miscellaneous				
<b>Subtotal, General Revenues</b>				
<b>Change in Net Assets</b>				
Net Assets - Beginning				
Net Assets - Ending				

The accompanying notes are an integral part of these financial statements.

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business- Type Activities	Total
\$ (35,731,076)	\$ -	\$ (35,731,076)
(347,308)	-	(347,308)
(471,391)	-	(471,391)
(3,899,166)	-	(3,899,166)
(566,970)	-	(566,970)
89,711	-	89,711
(1,370,501)	-	(1,370,501)
(432,730)	-	(432,730)
(3,109,272)	-	(3,109,272)
(5,913,763)	-	(5,913,763)
(51,094)	-	(51,094)
(22,796)	-	(22,796)
(486,687)	-	(486,687)
(76,436)	-	(76,436)
(2,306,260)	-	(2,306,260)
(54,695,739)	-	(54,695,739)
-	362,716	362,716
-	362,716	362,716
(54,695,739)	362,716	(54,333,023)
25,382,210	-	25,382,210
78,151	-	78,151
20,703,712	-	20,703,712
5,834,731	-	5,834,731
280,533	24,329	304,862
5,042,312	-	5,042,312
57,321,649	24,329	57,345,978
2,625,910	387,045	3,012,955
44,417,698	635,892	45,053,590
\$ 47,043,608	\$ 1,022,937	\$ 48,066,545

# OCEAN VIEW SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2005

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Deposits and investments	\$ 4,708,973	\$ 2,518,778	\$ 3,677,764	\$ 10,905,515
Receivables	4,636,285	6,510	262,508	4,905,303
Due from other funds	256,416	-	-	256,416
Stores inventories	137,115	-	9,858	146,973
<b>Total Assets</b>	<u>\$ 9,738,789</u>	<u>\$ 2,525,288</u>	<u>\$ 3,950,130</u>	<u>\$ 16,214,207</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	3,736,621	246,616	222,251	4,205,488
Due to other funds	135	-	123,316	123,451
Deferred revenue	1,084,416	-	30,095	1,114,511
<b>Total Liabilities</b>	<u>4,821,172</u>	<u>246,616</u>	<u>375,662</u>	<u>5,443,450</u>
<b>FUND BALANCES</b>				
Reserved	868,543	-	10,858	879,401
Unreserved:				
Designated	3,852,286	-	-	3,852,286
Undesignated, reported in:				
General Fund	196,788	-	-	196,788
Special revenue funds	-	-	1,726,484	1,726,484
Debt service funds	-	-	446,192	446,192
Capital projects funds	-	2,278,672	1,390,934	3,669,606
<b>Total Fund Balance</b>	<u>4,917,617</u>	<u>2,278,672</u>	<u>3,574,468</u>	<u>10,770,757</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 9,738,789</u>	<u>\$ 2,525,288</u>	<u>\$ 3,950,130</u>	<u>\$ 16,214,207</u>

The accompanying notes are an integral part of these financial statements.

# OCEAN VIEW SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

**JUNE 30, 2005**

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**Amounts Reported for Governmental Activities in the Statement of Net  
Assets are Different Because:**

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 10,770,757</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 79,549,302	
Accumulated depreciation is	<u>(32,616,550)</u>	
Net Capital Assets		46,932,752
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(142,002)
Long-term liabilities, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Certificates of participation	(9,405,000)	
Capital lease obligations	(551,245)	
Compensated absences	<u>(561,654)</u>	
Total Long-Term Liabilities		<u>(10,517,899)</u>
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$ 47,043,608</u></b>

The accompanying notes are an integral part of these financial statements.

# OCEAN VIEW SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND

### CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Revenue limit sources	\$ 46,366,146	\$ -	\$ -	\$ 46,366,146
Federal sources	5,278,398	-	1,179,197	6,457,595
Other State sources	12,249,009	1,740,873	446,988	14,436,870
Other local sources	6,828,801	30,402	3,467,814	10,327,017
<b>Total Revenues</b>	<b>70,722,354</b>	<b>1,771,275</b>	<b>5,093,999</b>	<b>77,587,628</b>
<b>EXPENDITURES</b>				
Current				
Instruction	48,888,523	-	-	48,888,523
Instruction-related activities:				
Supervision of instruction	2,053,979	-	-	2,053,979
Instructional library, media, and technology	618,345	-	-	618,345
School site administration	3,932,806	-	-	3,932,806
Pupil services:				
Home-to-school transportation	1,864,040	-	-	1,864,040
Food services	-	-	2,237,741	2,237,741
All other pupil services	1,820,760	-	-	1,820,760
General administration:				
Data processing	424,417	-	-	424,417
All other general administration	3,463,582	-	125,369	3,588,951
Plant services	5,793,334	1,366	282,089	6,076,789
Facility acquisition and construction	-	705,002	405,798	1,110,800
Ancillary services	51,094	-	-	51,094
Community services	101,664	-	-	101,664
Other outgo	488,306	-	-	488,306
Debt service				
Principal	421,769	-	380,000	801,769
Interest and other	51,497	-	439,782	491,279
<b>Total Expenditures</b>	<b>69,974,116</b>	<b>706,368</b>	<b>3,870,779</b>	<b>74,551,263</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>748,238</b>	<b>1,064,907</b>	<b>1,223,220</b>	<b>3,036,365</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	315,000	600,000	1,711,687	2,626,687
Transfers out	(315,000)	-	(2,311,687)	(2,626,687)
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>600,000</b>	<b>(600,000)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>748,238</b>	<b>1,664,907</b>	<b>623,220</b>	<b>3,036,365</b>
<b>Fund Balance - Beginning</b>	<b>4,169,379</b>	<b>613,765</b>	<b>2,951,248</b>	<b>7,734,392</b>
<b>Fund Balance - Ending</b>	<b>\$ 4,917,617</b>	<b>\$ 2,278,672</b>	<b>\$ 3,574,468</b>	<b>\$ 10,770,757</b>

The accompanying notes are an integral part of these financial statements.



## OCEAN VIEW SCHOOL DISTRICT

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

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**Total Net Change in Fund Balances - Governmental Funds** **\$ 3,036,365**  
**Amounts Reported for Governmental Activities in the Statement of**  
**Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statements of activities.

This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (2,306,260)	
Capital outlays	<u>1,371,752</u>	
Net Expense Adjustment		(934,508)

In the statement of activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there are no special termination benefits. Vacation used was less than the amounts earned by \$282,308.

(282,308)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities:

Certificates of participation	380,000
Capital lease obligations	421,769

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of two factors. Accrued interest on the certificates of participation and capital lease obligations decreased by \$4,592.

4,592

**Change in Net Assets of Governmental Activities**

**\$ 2,625,910**

The accompanying notes are an integral part of these financial statements.

# OCEAN VIEW SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF NET ASSETS FOR THE YEAR ENDED JUNE 30, 2005

	<b>Business-Type Activities</b>
	<b>Child Care</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 1,295,792
Receivables	87,741
Due from other funds	135
<b>Total Current Assets</b>	<b>1,383,668</b>
<b>Noncurrent Assets</b>	
Capital assets	648,100
Less: accumulated depreciation	(156,837)
<b>Total Noncurrent Assets</b>	<b>491,263</b>
<b>Total Assets</b>	<b>1,874,931</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	248,152
Due to other funds	133,100
Deferred revenue	75,580
Current portion of long-term obligations	135,162
<b>Total Current Liabilities</b>	<b>591,994</b>
<b>Noncurrent Liabilities</b>	
Noncurrent portion of long-term obligations	260,000
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	96,101
Unrestricted	926,836
<b>Total Net Assets</b>	<b>\$ 1,022,937</b>

The accompanying notes are an integral part of these financial statements.

# OCEAN VIEW SCHOOL DISTRICT

## PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS FOR THE YEAR ENDED JUNE 30, 2005

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	<b>Business-Type Activities</b>
	<b>Child Care</b>
<b>OPERATING REVENUES</b>	
Charges for services	<u>\$ 2,072,647</u>
<b>OPERATING EXPENSES</b>	
Payroll costs	1,988,119
Professional and contract services	116,520
Supplies and materials	124,219
Facility rental	1,759
Other operating costs	133,598
Depreciation	<u>25,924</u>
<b>Total Operating Expenses</b>	<u>2,390,139</u>
<b>Operating Loss</b>	<u>(317,492)</u>
<b>NONOPERATING REVENUES</b>	
Interest income	24,329
Grants	<u>680,208</u>
<b>Total Nonoperating Revenues</b>	<u>704,537</u>
<b>Change in Net Assets</b>	387,045
<b>Total Net Assets - Beginning</b>	<u>635,892</u>
<b>Total Net Assets - Ending</b>	<u><u>\$ 1,022,937</u></u>

The accompanying notes are an integral part of these financial statements.

# OCEAN VIEW SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2005

	Business-Type Activities
	Child Care
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from user charges	\$ 2,055,164
Cash payments to employees for services	(2,005,238)
Cash payments to suppliers for goods and services	(240,739)
Cash payments for other operating expenses	(127,709)
Net Cash Used by Operating Activities	(318,522)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Nonoperating grants received	695,945
Net Cash Provided by Non-Capital Financing Activities	695,945
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on capital debt	(131,863)
Interest paid on capital debt	(7,648)
Net Cash Used by Capital and Related Financing Activities	(139,511)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	24,329
Net Cash Provided by Investing Activities	24,329
Net Increase in Cash and Cash Equivalents	262,241
Cash and Cash Equivalents - Beginning	1,033,551
Cash and Cash Equivalents - Ending	\$ 1,295,792
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>	
Operating loss	(317,492)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	25,924
Changes in assets and liabilities:	
Receivables	(19,046)
Accrued liabilities and internal balances	(8,501)
Deferred revenue	593
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	\$ (318,522)

The accompanying notes are an integral part of these financial statements.

# OCEAN VIEW SCHOOL DISTRICT

## FIDUCIARY FUNDS

### STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2005

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	<u>Agency Funds</u> <u>Student Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 284,023
Stores inventories	23,886
<b>Total Assets</b>	<u>\$ 307,909</u>
<b>LIABILITIES</b>	
Due to student groups	307,909
<b>Total Liabilities</b>	<u>\$ 307,909</u>

The accompanying notes are an integral part of these financial statements.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Ocean View School District (the District) was organized in 1874 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades kindergarten through eight as mandated by the State and Federal agencies. The District operates eleven elementary and four middle schools.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Ocean View School District, this includes general operations, child care operations, food service, and student related activities of the District.

#### Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit discussed below is reported in the District's financial statements because of its relationship with the District. The component units, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the benefit of the District. The component unit, although a legally separate tax-exempt entity, is reported in the financial statements using the discrete presentation method as the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, the District is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and the economic resources received or held by an individual organization that the District is entitled to, or has the ability to otherwise access, are significant to the District.

The financial activity of the Certificate of Participation (COP) is presented in the financial statements as the Debt Service Fund. The COP issued by the Corporation is included as long-term liabilities in the government-wide financial statements. Individually-prepared financial statements are not prepared for the COP.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### Other Related Entities

**Joint Powers Agencies and Public Entity Risk Pools** The District is associated with three public entity risk pools. These organizations do not meet the criteria for inclusion as component units of the District. These organizations are:

Southern Orange County Property/Liability Joint Powers Authority  
Western Orange County Self-Funded Workers' Compensation Agency  
Orange County Fringe Benefits Joint Powers Authority

### Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

#### Major Governmental Funds

**General Fund** The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

**County School Facilities Fund** The County School Facilities Fund is used primarily to account separately for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17010.10-17076.10).

#### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following special revenue funds:

**Cafeteria Fund** The Cafeteria Fund is used to account for the financial transactions related to the food service operations of the District.

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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**Special Reserve Non-Capital Fund** The Special Reserve Non-Capital Fund is used to provide for the accumulation of General Fund monies for general operating purposes.

**Capital Projects Funds** The Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains the following non-major capital projects funds:

**Capital Facilities Fund** The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

**Special Reserve Capital Outlay Fund** The Special Reserve Capital Outlay Fund is used to account for funds set aside for Board-designated construction projects.

**Debt Service Funds** The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The District maintains the following debt service fund:

**COP Debt Service Fund** The COP Debt Service Fund is used to account for the interest and redemption of principal of Certificates of Participation.

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

**Enterprise Fund** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the child care program of the District.

**Child Care Fund** The Child Care Fund is used to account for resources committed to child development programs maintained by the District.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District has the following fiduciary funds:

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).



# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The enterprise fund is presented in a single column on the face of the proprietary fund statements.

**Governmental Funds** All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**Proprietary Funds** Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

**Deferred Revenue** Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term debt, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

### **Investments**

Investments held at June 30, 2005, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

# **OCEAN VIEW SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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### **Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at the lower of cost or market, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statement of net assets. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the capital assets of governmental funds.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: land improvements, 20 to 50 years; buildings and improvements, 20 to 50 years; equipment, 5 to 15 years.

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

### **Compensated Absences**

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

### **Fund Balance Reserves and Designations**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties, and other purposes as determined by the Governing Board.

### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements reports \$6,382,708 of restricted net assets.

# **OCEAN VIEW SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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### **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are childcare fees. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

### **Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/ expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### **Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **Budgetary Data**

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

### **Property Tax**

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31 and become delinquent after November 1. The County of Orange bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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### Changes in Accounting Principles

In March 2003, the Governmental Accounting Standards Board (GASB) issued GASB No. 40, *Deposit and Investment Risk Disclosures an Amendment of GASB Statement No. 3*. This Statement addressed common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in the Statement also should be disclosed. As such, the District has made the applicable required disclosures.

### New Accounting Pronouncements

In November 2003, GASB issued GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes guidance for accounting and reporting for impairment of capital assets and for insurance recoveries, whether associated with an impaired capital asset or not. This Statement is effective for periods beginning after December 31, 2004, or during the 2005-06 fiscal year.

In July 2004, GASB issued GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In December 2004, GASB issued GASB No. 46, *Net Assets Restricted by Enabling Legislation*. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. The Statement states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. Although the determination that a particular restriction is not legally enforceable may cause a government to review the enforceability of other restrictions, it should not necessarily lead a government to the same conclusion for all enabling legislation restrictions.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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This Statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2005.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2005, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 10,905,515
Business-type activities	1,295,792
Fiduciary funds	284,023
Total Deposits and Investments	<u>\$ 12,485,330</u>

Deposits and investments as of June 30, 2005, consists of the following:

Cash on hand and in banks	\$ 299,185
Cash in revolving	50,000
Investments	12,136,145
Total Deposits and Investments	<u>\$ 12,485,330</u>

#### Policies and Practices

The District is authorized under California Government Code and the Entity's investment policy to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements (if such transactions are matched to maturity); medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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### General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.



# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

### Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Maturity Date
Money Market Mutual Funds	\$ 11,587	N/A
Investment Agreement	434,605	3/1/2022
County Pool	11,688,274	107 days*
Total	<u>\$ 12,134,466</u>	

\* Average days to maturity

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the Districts' investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Not Required To Be Rated	Rating as of Year End	
			Aaa	Unrated
Money Market Mutual Funds	\$ 11,587	X	\$ 11,587	\$ -
Investment Agreement	434,605	X	-	434,605
County Pool	11,688,274	X	11,688,274	-
Total	<u>\$ 12,134,466</u>		<u>\$ 11,699,861</u>	<u>\$ 434,605</u>

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does have a policy for custodial credit risk for deposits. The District's policy requires that all monies deposited in a bank account outside of the County Treasury be fully insured or collateralized. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 10% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2005, the District's bank balance of \$354,794 was not exposed to custodial credit risk because it was insured or collateralized with securities in the name of the District.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2005, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Child Care Fund
Federal Government					
Categorical aid	\$ 1,203,882	\$ -	\$ 219,350	\$ 1,423,232	\$ -
State Government					
Apportionment	1,377,254	-	-	1,377,254	-
Categorical aid	901,531	-	13,235	914,766	48,181
Lottery	508,554	-	-	508,554	-
Local Government					
Interest	22,996	6,510	8,772	38,278	3,284
Other Local Sources	622,068	-	21,151	643,219	36,276
Total	<u>\$ 4,636,285</u>	<u>\$ 6,510</u>	<u>\$ 262,508</u>	<u>\$ 4,905,303</u>	<u>\$ 87,741</u>

All receivables are expected to be collected within one year.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2005**

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 10,893,943	\$ -	\$ -	\$ 10,893,943
Construction in process	5,989,032	1,112,548	5,746,107	1,355,473
Total Capital Assets				
Not Being Depreciated	16,882,975	1,112,548	5,746,107	12,249,416
Capital Assets Being Depreciated				
Land improvements	6,378,757	-	-	6,378,757
Buildings and improvements	44,578,120	5,746,107	-	50,324,227
Furniture and equipment	10,369,467	259,204	31,769	10,596,902
Total Capital Assets				
Being Depreciated	61,326,344	6,005,311	31,769	67,299,886
Less Accumulated Depreciation				
Land improvements	4,781,306	318,938	-	5,100,244
Buildings and improvements	19,271,559	1,293,686	-	20,565,245
Furniture and equipment	6,289,194	693,636	31,769	6,951,061
Total Accumulated Depreciation	30,342,059	2,306,260	31,769	32,616,550
Governmental Activities Capital Assets, Net	<u>\$ 47,867,260</u>	<u>\$ 4,811,599</u>	<u>\$ 5,746,107</u>	<u>\$ 46,932,752</u>
<b>Business-Type Activities</b>				
Buildings and improvements	648,100	-	-	648,100
Less accumulated depreciation	130,913	25,924	-	156,837
Business-Type Activities Capital Assets, Net	<u>\$ 517,187</u>	<u>\$ (25,924)</u>	<u>\$ -</u>	<u>\$ 491,263</u>

Depreciation expense was charged to governmental and business-type as unallocated.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

### NOTE 5 - INTERFUND TRANSACTIONS

#### Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances consist of amounts due for cost allocation or to cover another fund's operating deficit. Interfund receivable and payable balances at June 30, 2005, between major and non-major governmental funds, and non-major enterprise funds are as follows:

Due To	Due From			Total
	General Fund	Non-Major Governmental Funds	Child Care Fund	
General Fund	\$ -	\$ 123,316	\$ 133,100	\$ 256,416
Child Care Fund	135	-	-	135
Total	\$ 135	\$ 123,316	\$ 133,100	\$ 256,551

The balance of \$123,316 due to the General Fund from the non-major governmental funds resulted from payroll related costs paid by the General Fund but incurred by the Cafeteria Fund. The balance of \$133,100 due to the General Fund from the Child Care Fund resulted from payroll related costs paid by the General Fund but incurred by the Child Care Fund. The balance of \$135 due to the Child Care Fund from the General Fund resulted from reimbursement of payroll related expenditures.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

### Operating Transfers

Interfund transfers for the year ended June 30, 2005, consisted of the following:

Transfer To	Transfer From		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 315,000	\$ 315,000
County School Facilities Fund	-	600,000	600,000
Non-Major Governmental Funds	315,000	1,396,687	1,711,687
Total	<u>\$ 315,000</u>	<u>\$ 2,311,687</u>	<u>\$ 2,626,687</u>

The Special Reserve Capital Outlay Fund transferred lease revenue to the Special Reserve Non-Capital Fund.	\$ 600,000
The Special Reserve Capital Outlay Fund transferred to the General Fund for a portion of the deferred maintenance match.	315,000
The Special Reserve Capital Outlay Fund transferred to the COP Debt Service Fund for the debt service payments.	796,687
The Special Reserve Non-Capital Fund transferred to the County School Facilities Fund for modernization.	600,000
The General Fund transferred to the Deferred Maintenance Fund for the state match.	315,000
Total	<u>\$ 2,626,687</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2005, consisted of the following:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Child Care Enterprise Fund
Vendor payables	\$ 743,648	\$ -	\$ 27,302	\$ 770,950	\$ 57,245
State apportionment	566,815	-	-	566,815	-
State categorical programs	87,232	-	-	87,232	-
Salaries and benefits	2,338,926	-	102,135	2,441,061	190,907
Construction	-	246,616	92,814	339,430	-
Total	<u>\$ 3,736,621</u>	<u>\$ 246,616</u>	<u>\$ 222,251</u>	<u>\$ 4,205,488</u>	<u>\$ 248,152</u>

### NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2005, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Child Care Enterprise Fund
Federal financial assistance	\$ 229,690	\$ -	\$ 229,690	\$ -
State categorical aid	854,726	-	854,726	-
Other local	-	30,095	30,095	75,580
Total	<u>\$ 1,084,416</u>	<u>\$ 30,095</u>	<u>\$ 1,114,511</u>	<u>\$ 75,580</u>

### NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On July 6, 2004, the District issued Tax and Revenue Anticipation Notes in the amount of \$2,000,000 bearing interest at a rate of 1.6 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on July 6, 2005. By May 2005, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. As the District has in substance defeased the debt, the tax anticipation notes of \$2,000,000 and related accrued interest and cash held in trust are not included in these financial statements.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### NOTE 9 - LONG-TERM LIABILITIES

#### Long-Term Debt Summary

The changes in the District's long-term obligations during the year consisted of the following:

##### Governmental Activities

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005	Due in One Year
Certificates of participation	\$ 9,785,000	\$ -	\$ 380,000	\$ 9,405,000	\$ 390,000
Accumulated vacation - net	279,346	282,308	-	561,654	-
Capital leases	973,014	-	421,769	551,245	313,467
	<u>\$ 11,037,360</u>	<u>\$ 282,308</u>	<u>\$ 801,769</u>	<u>\$ 10,517,899</u>	<u>\$ 703,467</u>

##### Business-Type Activities

Capital leases	<u>\$ 527,025</u>	<u>\$ -</u>	<u>\$ 131,863</u>	<u>\$ 395,162</u>	<u>\$ 135,162</u>
----------------	-------------------	-------------	-------------------	-------------------	-------------------

Payments for the Certificates of Participation are made by the Special Reserve Capital Outlay Fund. Capital leases for District equipment and portable buildings are paid by the General Fund, and capital leases for portable building used in the Child Care Program are paid by the Child Development Fund. The accrued vacation will be paid by the fund for which the employee worked.

#### 2002 Certificates of Participation

On March 1, 2002, the District issued certificates of participation in the amount of \$10,500,000 with interest rates ranging from 3.5 to 4.75 percent. At June 30, 2005, the principal balance outstanding was \$9,405,000.

The certificates mature through March 1, 2022, as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 390,000	\$ 426,006	\$ 816,006
2007	405,000	411,868	816,868
2008	420,000	396,682	816,682
2009	435,000	379,881	814,881
2010	455,000	361,938	816,938
2011-2015	2,570,000	1,517,386	4,087,386
2016-2020	3,210,000	872,846	4,082,846
2021-2022	1,520,000	116,150	1,636,150
	<u>\$ 9,405,000</u>	<u>\$ 4,482,757</u>	<u>\$ 13,887,757</u>

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2005, amounted to \$561,654.

### Capital Leases

The District has entered into various capital lease arrangements and has recorded capital assets in the amount of \$3,281,793 with corresponding accumulated depreciation of \$1,426,041 at June 30, 2005. The District's liability on lease agreements with options to purchase are summarized below:

#### Governmental Activities

	Equipment	Modulars	Total
Balance, Beginning of Year	\$ 948,503	\$ 102,840	\$ 1,051,343
Payments	(411,851)	(51,420)	(463,271)
Balance, End of Year	<u>\$ 536,652</u>	<u>\$ 51,420</u>	<u>\$ 588,072</u>

#### Business-Type Activities

	Modulars
Balance, Beginning of Year	\$ 537,034
Payments	(138,512)
Balance, End of Year	<u>\$ 398,522</u>



# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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The capital leases have minimum lease payments as follows:

### Governmental Activities

Year Ending June 30,	Lease Payment
2006	\$ 339,830
2007	248,242
Total	588,072
Less: Amount Representing Interest	36,827
Present Value of Minimum Lease Payments	<u>\$ 551,245</u>

### Business-Type Activities

Year Ending June 30,	Lease Payment
2006	\$ 138,522
2007	52,000
2008	52,000
2009	52,000
2010	52,000
Thereafter	52,000
Total	398,522
Less: Amount Representing Interest	3,360
Present Value of Minimum Lease Payments	<u>\$ 395,162</u>

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### NOTE 10 - FUND BALANCES

Fund balances with reservations/designations are composed of the following elements:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Reserved				
Revolving cash	\$ 49,000	\$ -	\$ 1,000	\$ 50,000
Stores inventory	137,115	-	9,858	146,973
Restricted programs	682,428	-	-	682,428
Total Reserved	868,543	-	10,858	879,401
Unreserved				
Designated				
Economic uncertainties	2,060,327	-	-	2,060,327
Site carryover	417,585	-	-	417,585
Site book replacement	11,873	-	-	11,873
Governor's reading award	21,561	-	-	21,561
Governor's performance award	46,754	-	-	46,754
Academic performance index	4,425	-	-	4,425
Health pool	130,000	-	-	130,000
Emergency reserve	1,030,163	-	-	1,030,163
Lottery	129,598	-	-	129,598
Total Designated	3,852,286	-	-	3,852,286
Undesignated, reported in				
General Fund	196,788	-	-	196,788
Special revenue funds	-	-	1,726,484	1,726,484
Debt service funds	-	-	446,192	446,192
Capital projects funds	-	2,278,672	1,390,934	3,669,606
Total Unreserved	4,049,074	2,278,672	3,563,610	9,891,356
Total	\$ 4,917,617	\$ 2,278,672	\$ 3,574,468	\$ 10,770,757

### NOTE 11 - RISK MANAGEMENT

The District's risk management activities are recorded in the General Fund. Employee health programs are administered through the purchase of commercial insurance. The District participates in the Orange County public entity risk pools (JPA's) for the workers' compensation program, property and liability program, and dental program. Refer to Note 14 for additional information regarding the JPA's.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

# **OCEAN VIEW SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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### **NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

#### **STRS**

##### **Plan Description**

The District contributes to the California State Teachers' Retirement System (STRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

##### **Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2004-2005 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2005, 2004, and 2003, were \$2,943,417, \$3,005,708, and \$2,978,570, respectively, and equal 100 percent of the required contributions for each year.

#### **PERS**

##### **Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

# **OCEAN VIEW SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2004-2005 was 9.952 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2005, 2004, and 2003 were \$1,217,752, \$1,247,023, and \$330,007, respectively, and equal 100 percent of the required contributions for each year.

### **Tax Deferred Annuity/Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security.

### **On Behalf Payments**

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$1,611,565 (4.517 percent of salaries subject to STRS). No contributions were made for PERS for the year ended June 30, 2005. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report (Unaudited Actuals). These amounts have not been included in the budget amounts reported in the General Fund Budgetary Schedule. These amounts have been recorded in these financial statements.

## **NOTE 13 - COMMITMENTS AND CONTINGENCIES**

### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2005.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### Other Postemployment Benefits

The District provides supplementary retirement benefits for eligible District employees. To be eligible for the program, the employee must:

- Retire under the STRS/PERS retirement program;
- Have attained a minimum age of 50 years as required by STRS/PERS, and;
- Have been a management or confidential employee at the District for a minimum of ten years.

Currently, eleven employees have already retired under the program, and one employee may be eligible for the program in the future.

During 1995, the program was discontinued for employees who were not already retired under the program. At that time, the District negotiated a buy-out of 28 management employees who waived their rights under this plan.

Over the past ten years, the District has offered various retirement incentive programs to certificated and classified employees, as well as an annuity and district-paid health and welfare benefits for management/confidential retirees (up to an annual amount equal to the amount paid to the District's management and confidential employees). District-paid medical and dental insurance shall cease at the end of the month in which the retirees becomes 65 years of age. The District paid \$501,636 in postemployment benefits during the year ending June 30, 2005.

### Construction Commitments

As of June 30, 2005, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Modernization at Westmont Elementary School	<u>\$ 2,259,336</u>	06/30/06

### NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Southern Orange County Property/Liability Joint Powers Authority, the Western Orange County Self-Funded Workers' Compensation Agency, and the Orange County Fringe Benefits Joint Powers Authority public entity risk pools. The District pays an annual premium to each entity for its property/liability, workers' compensation, and dental coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

## **OCEAN VIEW SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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The District has appointed one board member to the Governing Board of each entity.

During the year ended June 30, 2005, the District made payments of \$296,462, \$589,228 and \$964,586 to Southern Orange County Property/Liability Joint Powers Authority, the Western Orange County Self-Funded Workers' Compensation Agency and Orange County Fringe Benefits Joint Powers Authority, respectively, for annual premium payments.

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*REQUIRED SUPPLEMENTARY INFORMATION*

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# OCEAN VIEW SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
	Original	Final		
<b>REVENUES</b>				
Revenue limit sources	\$46,413,666	\$46,327,831	\$ 46,366,146	\$ 38,315
Federal sources	4,723,462	5,501,321	5,278,398	(222,923)
Other State sources	9,529,939	10,540,864	12,249,009	1,708,145
Other local sources	5,775,620	6,520,641	6,828,801	308,160
<b>Total Revenues [1]</b>	<b>66,442,687</b>	<b>68,890,657</b>	<b>70,722,354</b>	<b>1,831,697</b>
<b>EXPENDITURES</b>				
Current				
Instruction	47,028,706	47,474,748	48,888,523	(1,413,775)
Instruction-related activities:				
Supervision of instruction	2,121,042	2,187,074	2,053,979	133,095
Instructional library, media, and technology	646,448	650,518	618,345	32,173
School site administration	4,000,656	3,960,487	3,932,806	27,681
Pupil services:				
Home-to-school transportation	1,803,797	1,811,597	1,864,040	(52,443)
All other pupil services	1,387,703	1,882,551	1,820,760	61,791
General administration:				
Data processing	412,542	434,142	424,417	9,725
All other general administration	3,382,871	3,468,448	3,463,582	4,866
Plant services	6,012,315	5,880,502	5,793,334	87,168
Facility acquisition and construction	3,500	6,520	-	6,520
Ancillary services	49,372	50,172	51,094	(922)
Community services	53,703	95,492	101,664	(6,172)
Other outgo	411,425	489,158	488,306	852
Debt service				
Principal and interest	300,100	299,755	473,266	(173,511)
<b>Total Expenditures [1]</b>	<b>67,614,180</b>	<b>68,691,164</b>	<b>69,974,116</b>	<b>(1,282,952)</b>
<b>Excess (Deficiency) of Revenues</b>	<b>(1,171,493)</b>	<b>199,493</b>	<b>748,238</b>	<b>548,745</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	315,000	315,000	315,000	-
Transfers out	(315,000)	(315,000)	(315,000)	-
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,171,493)</b>	<b>199,493</b>	<b>748,238</b>	<b>548,745</b>
<b>Fund Balance - Beginning</b>	<b>4,169,379</b>	<b>4,169,379</b>	<b>4,169,379</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,997,886</b>	<b>\$ 4,368,872</b>	<b>\$ 4,917,617</b>	<b>\$ 548,745</b>

[1] Actual revenues and expenditures include an adjustment for on-behalf payments in accordance with GASB 24. By not including the adjustment, actual revenues would be \$69,110,789. Actual expenditures would be \$68,362,551, which does not exceed the budgeted expenditures.

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***SUPPLEMENTARY INFORMATION***

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# OCEAN VIEW SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
California 21st Century Community Learning Centers	84.287	[2]	\$ 30,937
Carol White PE Program Grant	84.215F	[2]	121,564
Passed through from Huntington Beach Union High School District: Adult Education Center Program	84.002	13973	50,607
Passed through from California Department of Education (CDE): No Child Left Behind Act			
Title I, Part A - AFDC and Neglected [1]	84.010	13797	1,429,013
Title I - Academic Achievement [1]	84.010A	14429	53,415
Title I - Even Start Family Literacy [1]	84.003	13700	336,053
Title II, Part A - Improving Teacher Quality	84.367A	14341	418,090
Title II, Part D - Education Technology Competitive Grant	84.318	14335	375,025
Title II, Part D - Education Technology Formula Grant	84.318	14334	42,739
Title III - Limited English Proficiency	84.365A	10084	202,089
Title IV - Drug-Free Schools	84.186	13453	46,210
Title V - Innovative Strategies	84.298	13340	31,488
Title VI - California Alternate Performance Assessment	[3]	14488	400
Title VI - English Language Development Test	84.369	14363	22,439
Title IX - Indian Education	84.060A	10011	115,973
21st Century - After School Learning Centers	84.287A	10042	333,218
Passed through from West Orange County Consortium for Special Education:			
Individuals with Disabilities Education Act			
Federal Preschool	84.173	13430	62,109
Local Assistance	84.027A	13379	1,413,847
Preschool Local Entitlement	84.027A	13682	130,901
Low Incidence	84.027A	13459	2,536
Interpreter Certification	84.027A	14466	1,791
Total U.S. Department of Education			<u>5,220,444</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through from CDE:			
Child Nutrition Cluster			
National School Lunch Program [1]	10.555	13396	1,018,907
Especially Needy Breakfast [1]	10.553	13390	106,274
Meals Supplements [1]	10.555	13755	26,760
Food Distribution	10.550	13389	27,257
Total U.S. Department of Agriculture			<u>1,179,198</u>
<b>U.S. DEPARTMENT HEALTH AND HUMAN SERVICES</b>			
Passed through CDE:			
LEA Medi-Cal Billing Option	93.778	10013	136,500
Total Expenditures of Federal Awards			<u>\$ 6,536,142</u>

- [1] Tested as a Major Program  
 [2] Direct-funded, no PCA number  
 [3] CFDA number not available

See accompanying note to supplementary information.

# OCEAN VIEW SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2005

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	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,083	1,082
First through third	3,006	3,000
Fourth through sixth	3,138	3,129
Seventh and eighth	2,158	2,151
Special education	281	286
Total Elementary	9,666	9,648
		Hours of Attendance
SUMMER SCHOOL		
Elementary		69,525

See accompanying note to supplementary information.

## OCEAN VIEW SCHOOL DISTRICT

### SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2005

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Grade Level	1982-83	1986-87	2004-05	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	35,200	36,000	36,000	180	-	Complied
Grades 1 - 3	48,911	50,400	50,400	180	-	Complied
Grades 4 - 5	57,967	54,000	58,091	180	-	Complied
Grades 6 - 8	57,967	54,000	58,410	180	-	Complied

See accompanying note to supplementary information.

## **OCEAN VIEW SCHOOL DISTRICT**

### **RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2005.

See accompanying note to supplementary information.

# OCEAN VIEW SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2005

	(Budget) 2006 <sup>1</sup>	2005	2004	2003
GENERAL FUND				
Revenues	\$ 69,624,850	\$ 70,722,354	\$ 66,287,158	\$ 65,754,601
Other sources and transfers in	315,000	315,000	225,000	225,000
Total Revenues and Other Sources	69,939,850	71,037,354	66,512,158	65,979,601
Expenditures	69,458,385	69,974,116	67,593,343	65,956,783
Other uses and transfers out	315,000	315,000	315,000	348,000
Total Expenditures and Other Uses	69,773,385	70,289,116	67,908,343	66,304,783
INCREASE (DECREASE) IN FUND BALANCE	\$ 166,465	\$ 748,238	\$ (1,396,185)	\$ (325,182)
ENDING FUND BALANCE	\$ 5,084,082	\$ 4,917,617	\$ 4,169,379	\$ 5,565,564
AVAILABLE RESERVES <sup>2</sup>	\$ 2,361,257	\$ 2,264,966	\$ 2,044,934	\$ 1,996,705
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	3.38%	3.30%	3.01%	3.01%
LONG-TERM DEBT	N/A	\$ 10,913,061	\$ 11,564,385	\$ 12,426,480
K-12 AVERAGE DAILY ATTENDANCE AT P-2	9,566	9,666	9,779	9,665

The General Fund balance increased by \$748,238 during the current year after three years of decreases. The fiscal year 2005-2006 budget projects an increase of \$166,465 (3.4 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in 2002-2003 and 2003-2004, but had a surplus in 2004-2005 with another surplus anticipated for 2005-2006. Total long-term debt has decreased by \$1,513,419 over the past two years.

Average daily attendance has increased by one over the past two years. A decline of 100 ADA is anticipated during fiscal year 2005-2006.

<sup>1</sup> Budget 2006 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund and the Special Reserve Fund (other than capital outlay).

<sup>3</sup> On-behalf payments of \$1,611,565 have been excluded from the calculation of available reserves for fiscal year ending June 30, 2005.

See accompanying note to supplementary information.



# **OCEAN VIEW SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2005**

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

#### **Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

#### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 46201.

#### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

#### **Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

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***SUPPLEMENTARY INFORMATION - UNAUDITED***

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# OCEAN VIEW SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET - UNAUDITED JUNE 30, 2005

	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund	Capital Facilities Fund
<b>ASSETS</b>				
Deposits and investments	\$ 529,883	\$ 1,293,083	\$ 7,832	\$ 377,455
Receivables	236,450	3,385	19	12,951
Stores inventories	9,858	-	-	-
<b>Total Assets</b>	<u>\$ 776,191</u>	<u>\$ 1,296,468</u>	<u>\$ 7,851</u>	<u>\$ 390,406</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	126,242	93,610	-	395
Due to other funds	123,316	-	-	-
Deferred revenue	-	-	-	-
<b>Total Liabilities</b>	<u>249,558</u>	<u>93,610</u>	<u>-</u>	<u>395</u>
<b>Fund Balances:</b>				
Reserved for:				
Revolving cash	1,000	-	-	-
Stores inventories	9,858	-	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	515,775	1,202,858	7,851	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	390,011
<b>Total Fund Balances</b>	<u>526,633</u>	<u>1,202,858</u>	<u>7,851</u>	<u>390,011</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 776,191</u>	<u>\$ 1,296,468</u>	<u>\$ 7,851</u>	<u>\$ 390,406</u>

See accompanying note to supplementary information - unaudited.

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Special Reserve Capital Outlay Fund	Debt Service Fund	Non-Major Governmental Funds
\$ 1,023,319	\$ 446,192	\$ 3,677,764
9,703	-	262,508
-	-	9,858
<u>\$ 1,033,022</u>	<u>\$ 446,192</u>	<u>\$ 3,950,130</u>
2,004	-	222,251
-	-	123,316
30,095	-	30,095
<u>32,099</u>	<u>-</u>	<u>375,662</u>
-	-	1,000
-	-	9,858
-	-	1,726,484
-	446,192	446,192
1,000,923	-	1,390,934
<u>1,000,923</u>	<u>446,192</u>	<u>3,574,468</u>
<u>\$ 1,033,022</u>	<u>\$ 446,192</u>	<u>\$ 3,950,130</u>

# OCEAN VIEW SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2005

	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund	Capital Facilities Fund
<b>REVENUES</b>				
Federal sources	\$ 1,179,197	\$ -	\$ -	\$ -
Other State sources	69,652	377,336	-	-
Other local sources	1,219,069	26,801	167	203,398
<b>Total Revenues</b>	<u>2,467,918</u>	<u>404,137</u>	<u>167</u>	<u>203,398</u>
<b>EXPENDITURES</b>				
Current				
Food services	2,237,741	-	-	-
General administration:				
All other general administration	121,353	-	-	4,016
Plant services	-	88,104	-	-
Facility acquisition and construction	-	263,174	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
<b>Total Expenditures</b>	<u>2,359,094</u>	<u>351,278</u>	<u>-</u>	<u>4,016</u>
<b>Excess (Deficiency) of</b>				
<b>Revenues Over Expenditures</b>	<u>108,824</u>	<u>52,859</u>	<u>167</u>	<u>199,382</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	315,000	600,000	-
Transfers out	-	-	(600,000)	-
<b>Net Financing Sources (Uses)</b>	<u>-</u>	<u>315,000</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>108,824</u>	<u>367,859</u>	<u>167</u>	<u>199,382</u>
<b>Fund Balance - Beginning</b>	<u>417,809</u>	<u>834,999</u>	<u>7,684</u>	<u>190,629</u>
<b>Fund Balance - Ending</b>	<u>\$ 526,633</u>	<u>\$ 1,202,858</u>	<u>\$ 7,851</u>	<u>\$ 390,011</u>

See accompanying note to supplementary information - unaudited.

<b>Special Reserve Capital Outlay Fund</b>	<b>Debt Service Fund</b>	<b>Non-Major Governmental Funds</b>
\$ -	\$ -	\$ 1,179,197
-	-	446,988
1,995,080	23,299	3,467,814
1,995,080	23,299	5,093,999
-	-	2,237,741
-	-	125,369
193,985	-	282,089
142,624	-	405,798
-	380,000	380,000
-	439,782	439,782
336,609	819,782	3,870,779
1,658,471	(796,483)	1,223,220
-	796,687	1,711,687
(1,711,687)	-	(2,311,687)
(1,711,687)	796,687	(600,000)
(53,216)	204	623,220
1,054,139	445,988	2,951,248
\$ 1,000,923	\$ 446,192	\$ 3,574,468

# OCEAN VIEW SCHOOL DISTRICT

## GENERAL FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2005

(Amounts in thousands)

	Actual Results for the Years					
	2004-2005		2003-2004		2002-2003	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal revenue	\$ 5,278	7.5	\$ 5,294	8.0	\$ 3,784	5.8
State and local revenue included in revenue limit	46,366	65.5	44,525	67.2	44,997	68.4
Other state revenue	12,249	17.3	9,830	14.8	10,053	15.3
Other local revenue	1,753	2.5	1,482	2.2	1,663	2.5
Tuition and transfers in	5,076	7.2	5,155	7.8	5,258	8.0
Total Revenues	<u>70,722</u>	<u>100.0</u>	<u>66,286</u>	<u>100.0</u>	<u>65,755</u>	<u>100.0</u>
<b>EXPENDITURES</b>						
Salaries and Benefits						
Certificated salaries	36,086	51.0	36,598	55.2	36,520	55.5
Classified salaries	11,225	15.9	11,118	16.8	10,839	16.5
Employee benefits	13,113	18.5	11,258	17.0	10,069	15.3
Total Salaries and Benefits	60,424	85.4	58,974	89.0	57,428	87.3
Books and supplies	3,748	5.3	3,282	4.9	3,688	5.6
Services and operating expenses	5,053	7.1	4,558	6.9	4,193	6.4
Capital outlay	209	0.3	303	0.4	375	0.6
Other outgo	240	0.3	176	0.3	(27)	0.0
Debt service	300	0.4	300	0.5	300	0.4
Total Expenditures	<u>69,974</u>	<u>98.8</u>	<u>67,593</u>	<u>102.0</u>	<u>65,957</u>	<u>100.3</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	748	1.2	(1,307)	(2.0)	(202)	(0.3)
OTHER FINANCING USES						
Net other uses	-	-	(90)	(0.1)	(123)	(0.2)
INCREASE (DECREASE) IN FUND BALANCE	748	1.2	(1,397)	(2.1)	(325)	(0.5)
FUND BALANCE, BEGINNING	4,169	5.9	5,566	8.4	5,891	9.0
FUND BALANCE, ENDING	<u>\$ 4,917</u>	<u>7.1</u>	<u>\$ 4,169</u>	<u>6.3</u>	<u>\$ 5,566</u>	<u>8.5</u>
BASE REVENUE LIMIT PER ADA	<u>\$ 4,730</u>		<u>\$ 4,598</u>		<u>\$ 4,513</u>	

See accompanying note to supplementary information - unaudited.



# OCEAN VIEW SCHOOL DISTRICT

## CAFETERIA ACCOUNT SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2005

(Amounts in thousands)

	Actual Results for the Years					
	2004-2005		2003-2004		2002-2003	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal meal program	\$ 1,179	47.8	\$ 1,275	50.6	\$ 1,174	50.0
State meal program	70	2.8	69	2.7	79	3.4
Food sales	1,219	49.4	1,169	46.5	1,091	46.4
Other	-	-	5	0.2	5	0.2
Total Revenues	2,468	100.0	2,518	100.0	2,349	100.0
<b>EXPENDITURES</b>						
Salaries and employee benefits	780	31.6	756	30.0	718	30.6
Food	1,296	52.5	1,370	54.4	1,352	57.6
Supplies	107	4.3	98	3.9	64	2.7
Other	176	7.1	244	9.7	244	10.4
Total Expenditures	2,359	95.5	2,468	98.0	2,378	101.3
<b>INCREASE/(DECREASE)</b>						
IN FUND BALANCE	109	4.5	50	2.0	(29)	(1.3)
FUND BALANCE, BEGINNING	418	16.9	368	14.6	397	16.9
FUND BALANCE, ENDING	\$ 527	21.4	\$ 418	16.6	\$ 368	15.6

\* \* \* \* \*

### TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2004-2005		2003-2004		2002-2003	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>TYPE 'A' LUNCHES</b>						
Paid	253,754	34.9	248,492	33.6	243,641	34.8
Reduced price	71,247	9.8	79,119	10.7	75,624	10.8
Free	402,953	55.3	411,853	55.7	381,024	54.4
Total Lunches	727,954	100.0	739,464	100.0	700,289	100.0
<b>BREAKFAST</b>						
Paid	4,557	5.9	4,599	6.0	4,032	5.3
Reduced price	8,575	11.0	8,515	11.0	6,782	8.9
Free	64,757	83.1	64,116	83.0	64,971	85.8
Total Breakfast	77,889	100.0	77,230	100.0	75,785	100.0

See accompanying note to supplementary information - unaudited.

# **OCEAN VIEW SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2005**

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance - Unaudited**

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

#### **General Fund Selected Financial Information - Unaudited**

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

#### **Cafeteria Account Selected Financial Information - Unaudited**

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the cafeteria account for the past three years.

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*INDEPENDENT AUDITORS' REPORTS*

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board  
Ocean View School District  
Huntington Beach, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ocean View School District as of and for the year ended June 30, 2005, which collectively comprise the Ocean View School District's basic financial statements and have issued our report thereon dated September 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Ocean View School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Ocean View School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Ocean View School District in a separate letter dated September 9, 2005.

This report is intended solely for the information and use of the Governing Board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavineks, Trine, Day & Co., LLP

Rancho Cucamonga, California  
September 9, 2005



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board  
Ocean View School District  
Huntington Beach, California

**Compliance**

We have audited the compliance of Ocean View School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2005. Ocean View School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Ocean View School District's management. Our responsibility is to express an opinion on Ocean View School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Ocean View School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Ocean View School District's compliance with those requirements.

As described in items 2005-1 and 2005-2 in the accompanying Schedule of Federal Award Findings and Questioned Costs, Ocean View School District did not comply with requirements regarding time accounting and eligibility that are applicable to its Even Start Program. Compliance with such requirements is necessary, in our opinion, for Ocean View School District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Ocean View School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2005.

## Internal Control Over Compliance

The management of Ocean View School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Ocean View School District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted no matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Ocean View School District's ability to administer a major Federal program in accordance with applicable requirements of laws, regulations, contracts, and grants.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Governing Board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vavinek, Trine Day & Co., LLP*

Rancho Cucamonga, California  
September 9, 2005





## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board  
 Ocean View School District  
 Huntington Beach, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ocean View School District as of and for the year ended June 30, 2005, and have issued our report thereon dated September 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 2004-05 *Standards and Procedures for Audits of California K-12 Local Educational Agencies* prescribed in the California Code of Regulations, Title 5, Section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Ocean View School District management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Ocean View School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Controller's Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	22	No, See Below
Continuation education	10	Not Applicable
Adult education	9	Not Applicable
Regional occupational centers and programs	6	Not Applicable
Instructional time and staff development reform program	7	Yes
Instructional Time:		
School districts	4	Yes
County offices of education	3	Not Applicable
Community day schools	9	Not Applicable

	Procedures in Controller's Audit Guide	Procedures Performed
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school servicing K-3	4	Not Applicable
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Not Applicable
Ratios of Administrative Employees to Teachers	1	Yes
Early retirement incentive	4	Not Applicable
GANN limit calculation	1	Yes
School Construction Funds:		
School District bonds	3	Not Applicable
State school facilities funds	1	Yes
Alternative pension plans	2	Not Applicable
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE)		
Program	3	Not Applicable
School Accountability Report Card	3	Yes

We did not perform testing for Independent Study because the ADA was below the threshold required for testing.

Based on our audit, we found that for the items tested, the Ocean View School District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs included in this report. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Ocean View School District had not complied with the laws and regulations, except as described in the Schedule of State Award Findings and Questioned Costs included in this report. Our audit does not provide a legal determination on Ocean View School District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the Governing Board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vavinek, Tine, Day & Co., LLP*

Rancho Cucamonga, California  
September 9, 2005

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*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

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# OCEAN VIEW SCHOOL DISTRICT

## SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2005

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### FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

### FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Qualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>Yes</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A - AFDC and Neglected</u>
<u>84.010A</u>	<u>Title I - Academic Achievement</u>
<u>84.003</u>	<u>Title I - Even Start Family Literacy</u>
<u>10.553-10.555</u>	<u>National School Lunch Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

### STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

**OCEAN VIEW SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2005**

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None reported.

## OCEAN VIEW SCHOOL DISTRICT

### FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

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The following findings represent reportable conditions, material weaknesses, and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
50000	Federal Compliance

#### *Even Start Family Literacy*

**Questioned Cost = \$201,080**

**2005-1     50000**

#### **Finding**

The time documentation compliance requirements of the Office of Management and Budget's (OMB) Circular A-87 were not complete for Title I – Even Start Program. The requirements are that for employees whose salary is charged to more than one source maintain monthly activity logs to support the percentages charged to each source, and if the variance is more than 10 percent, the charges must be adjusted. Employees who are charged fully to one Federal program are to certify semi-annually that they have worked solely in the program to which their salary was charged. In place of the requirements noted above, the District may elect to use the State of California's time accounting system as approved by the Federal oversight agencies.

#### **Recommendation**

The District should implement the procedures outlined in the Circular A-87 including actual monthly time logs, quarterly review and cost allocation adjustments, and semi-annual certifications as outlined in the finding for the program.

#### **District Response**

Monthly time logs for all multi-funded employees will be maintained and reviewed by Administrative Staff.

**2005-2     Finding**

In order to be eligible for the Even Start Program, children must be under the age of seven, meet Federal income guidelines and have parents who meet English literacy guidelines. In testing the eligibility determination made for families enrolled in the program, we noted that the documentation for income eligibility was insufficient. Eight out of 10 representative samples selected for testing lacked income documentation to substantiate income eligibility following the Federal poverty guideline.

## **OCEAN VIEW SCHOOL DISTRICT**

### **FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005**

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#### **Recommendation**

The District should review the procedures followed in determining eligibility for the program to ensure that all families being enrolled in the program are eligible. This includes obtaining proof of income and verifying that it meets the Federal poverty guidelines.

#### **District Response**

A procedure to determine eligibility for the Even Start program has been implemented.

## OCEAN VIEW SCHOOL DISTRICT

### STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

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The following findings represent instances of noncompliance and questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
40000	State Compliance

#### *Teacher Misassignment*

2005-3     40000

#### **Finding**

During our attendance testing, we noted that of the 24 elementary school teachers selected for review, five were teaching in a classroom with more than 20 percent limited-English proficient students, but did not have proper authorization to instruct such students.

#### **Recommendation**

All teachers must have the appropriate authorization or certification to instruct limited-English proficient pupils. District personnel should monitor those teachers who are currently not in compliance with the requirement and notify those employees that may need to obtain the necessary authorization to teach English Learners pupils.

#### **District Response**

School principals are aware that English Learners need to be in a classroom with authorized teachers. As is the District's practice, annually the English Learner Department notifies principals that teachers must have certification to work with English Learners and it is their responsibility to schedule students accordingly. The District will continue to offer training during the work day for teachers to earn their authorization. Almost all new employees have the authorization attached to their teaching credential.

As of June 7, 2005, 262 teachers are certified CLAD instructors and authorized to teach English Learners.



**OCEAN VIEW SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2005**

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There were no audit findings reported in the prior year's schedule of financial statement findings.

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September 9, 2005

Governing Board  
Ocean View School District  
Huntington Beach, California

In planning and performing our audit of the financial statements of Ocean View School District for the year ended June 30, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated September 9, 2005, on the financial statements of Ocean View School District.

#### ***ASSOCIATED STUDENT BODY***

##### ***Mesa View Middle School***

##### Finding

Revenue Potentials were not prepared for major fundraising events: dances, candy sales and magazine sales.

##### Recommendation

All major fundraisers should be supported by revenue potentials, which ensure that clubs have planned how much money is going to be expensed, as well as how much they expect to make in profit. This ensures that the site proceeds only with fundraising activities that are expected to be profitable. Clubs should fill out a sales analysis form before every fundraiser and submit it to the ASB for approval. This form should list the expected amount of revenue to be generated by the fundraiser and the expected cost. At the conclusion of the fundraiser, the club should, on the same form, fill in the actual amount of revenues generated and costs incurred, and explain any significant differences between the expected and actual amounts. Additionally, sales summaries and inventory logs should be maintained for all activities involving the sale of tangible items. These summaries should be reconciled against the change in inventory and actual cash collected in order to ensure the intactness of the activity's inventory and revenue collections.

Finding

In reviewing the bank reconciliation, the auditor noted three stale dated checks in the amount of \$153.58 on the November bank reconciliation, two of which were older than one year and one was dated over six months.

Recommendation

All stale dated checks should be written off after six months.

Finding

In reviewing the balances in club accounts, the auditor noted negative balances in two clubs. At the time of the audit, the Candy Sales Account had a negative balance of \$856.10 and the Pal Account had a negative balance of \$5.25. The Candy Sales Account regularly transfers profits to the other accounts. However, it transferred more money than was actually available.

Recommendation

Clubs should not be allowed to spend in excess of their available cash. By allowing clubs to do so, they are in effect spending the resources of other clubs. The site should ensure that all clubs have sufficient funds available in their account before expenditures or transfers are made.

Finding

Inventory of products sold at the student store is taken only once at the end of the school year.

Recommendation

The student store should take a periodic physical inventory on a quarterly basis. This inventory count should be utilized to reconcile perpetual to actual inventory remaining on hand. The reconciliation should include the beginning balance from the last inventory count, plus any purchases and less any inventory sold. The remaining inventory should be compared to the inventory actually on hand to determine if there is any missing inventory. This reconciliation should also be used to compare inventory records with revenues received from sales to ensure that all monies collected from the sale of inventory have been properly accounted for. All differences should be investigated and explained.

Finding

Deposit documentation, including copies of receipts and "prenumbered" lists, is not sent to the District on a timely basis. The auditor noted that the documents for the 10/22/04 deposit were not sent to the District until 11/10/04. In addition, the auditor noted instances where the receipt date was after the deposit date, indicating that the receipt was not written upon collection when it should have been.

#### Recommendation

The supporting documentation for each deposit should be submitted to the District as soon as the deposit is sent to the bank. This will ensure that errors, if any, are detected by the District personnel on a timely basis. In addition, receipts should be written upon collection. This will provide evidence of the amounts of cash and checks on hand that have not yet been deposited.

#### Finding

In reviewing the amount of cash and checks awaiting deposit, we noted that the cash and checks on hand did not reconcile to the amount recorded on the prenumbered list and in the receipt book. The difference is \$517.70 (\$483.60 in checks and \$34.10 in cash). Part of this amount was not recorded at all and some amounts were recorded incorrectly. The auditor noted that check #3931 for \$130 was not receipted, check #839 was receipted for \$130 instead of for \$129, and check #5205 was receipted for \$130 instead of for \$24.60. Also, some receipts are dated after the money had been deposited to the District (not at the point of collection) as indicated in the previous finding.

#### Recommendation

All money collected should be receipted at the point of collection. In order to ensure that all deposits are intact, the prenumbered receipts for all collections should be reconciled against cash and checks on hand on a regular basis and compared to the amount being deposited. When discrepancies between the receipts and actual deposit occur, the ASB clerk should check to make sure that all receipt amounts have been recorded correctly on the prelists. If errors are noted, the clerk should make the necessary corrections and document those corrections.

#### Finding

The auditor noted an amount of money (\$127.50 - check #343 of \$61 and cash of \$86.50) that was receipted twice. First it was part of the total amount on receipt #8349 (written and deposited on 10/22/04) and then it was included on receipt #8359 (dated 11/16/04). The ASB Clerk also lump sums a few receipts of money and writes only one receipt for them.

#### Recommendation

Individual receipts should be written for each single amount received. The sum of all receipts written should equal the deposits and the deposits should not miss any number in the prenumbered receipts sequence.

#### Finding

Out of eight disbursements tested, the auditor noted four that had no evidence of receiving documentation.

#### Recommendation

All invoices should have some evidence of receiving documentation for items purchased. Disbursements should not be issued unless there is a proof that the order has been received.

Governing Board  
Ocean View School District  
September 9, 2005

It is our understanding that the Site Administrator is in the process of developing new procedures with staff to implement the above recommendations.

We will review the status of the current year comments during our next audit engagement.

Yours very truly,

A handwritten signature in black ink, appearing to read "Gregory P. Cook". The signature is fluid and cursive, with the last name "Cook" being more prominent.

Gregory P. Cook  
of VAVRINEK, TRINE, DAY & CO., LLP

GPC/la